# Green Power Marketing in Europe

**Presentation at the 5th National Green Power Marketing Conference**

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# Outline

- Intro: Competitive European Retail Markets for Electricity: Germany as an Example
- Customer Attitudes towards Green Electricity in Europe
- Marketing Strategies to Enhance Customer Demand
- Policy Support for Renewables and Green Power
- Conclusions

# Intro (1): Price Wars in the German Power Industry

:avanza

PRIVATSTROM HAT JETZT EINEN NAMEN.

Yello Strom

19/19

Avanza. Markenstrom von RWE Energie

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# Intro (2): New Competitors

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# Intro (3): Profit Margins & Stock Prices declining

RWE



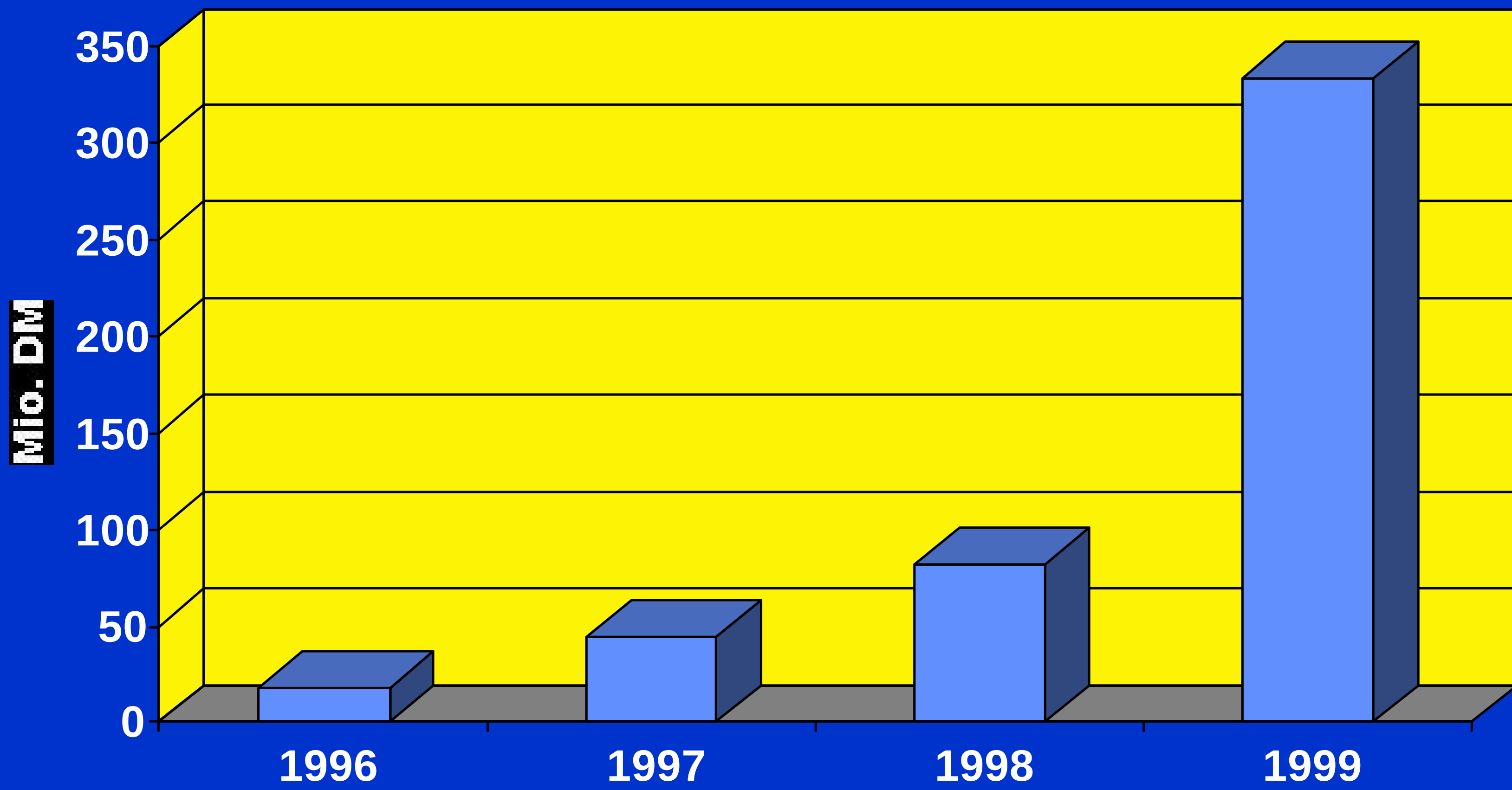
EnBW

e.on



Bewag

# Intro (4): Massive increase in marketing spendings




**Marketing spendings of German energy suppliers 1996-1999**

Source: AC Nielsen Werbeforschung

# No Future for the European Power Industry?

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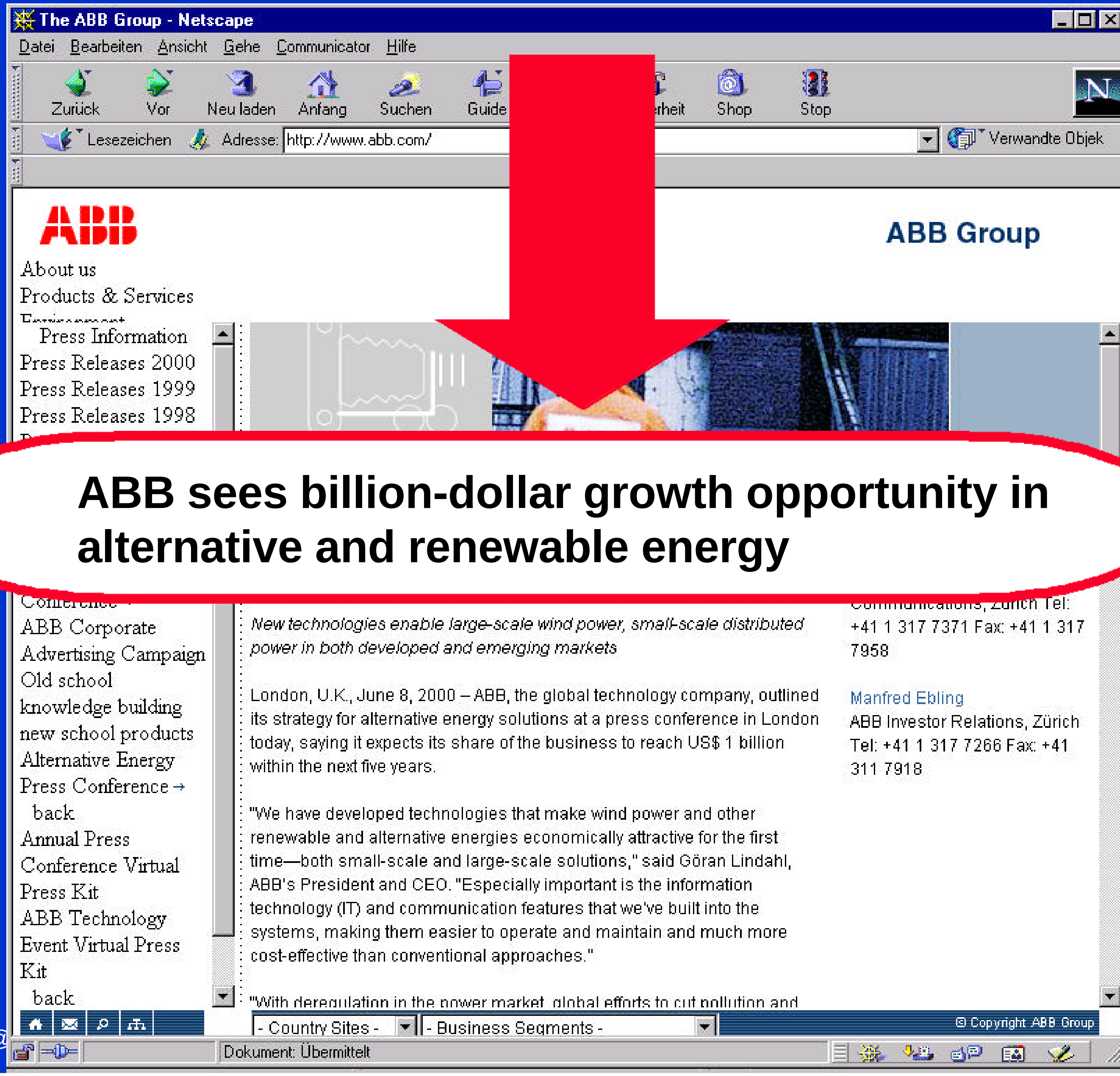


**ABB sees billion-dollar growth opportunity in alternative and renewable energy**

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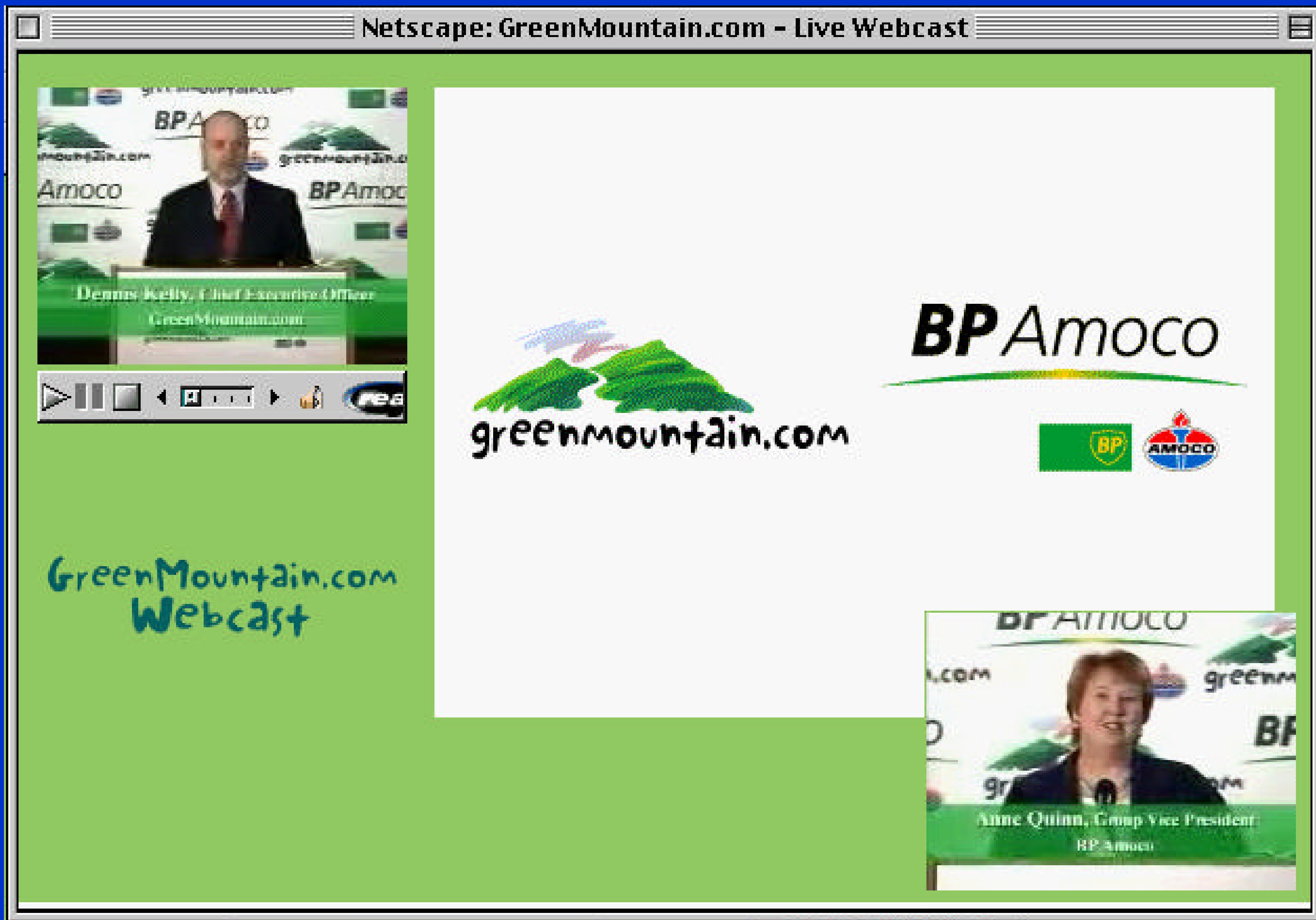

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# BP‘s Re-Branding: „Beyond Petroleum“

Poor prospects for „brown“ power retailing, but tremendous growth opportunities for renewables

Customer Attitudes in the European Green Power Market

# Customer attitudes towards renewables in Germany:

- „80 % of the Germans would switch to renewables rather today than tomorrow“ (Welt am Sonntag, 10.10.99)
- 23 % of German electricity customers would probably buy green power in the near future (Forsa-Umfrage, i.A. der Zeitschrift GELDidee 19/99)
- 89 % (75 %) of German consumers welcome the opportunity to buy electricity from clean, environmental friendly sources. 22 % (35%) would be prepared to pay a 15 % premium (Infas 1999, Emnid 1999)
- 43 % of the Germans prefer their current utility as green power supplier, 33 % would prefer a new entrant

  (EMNID-Energiemarktforschung 7/98)

Widespread preferences for renewables
This, however, is far from actual purchasing decisions

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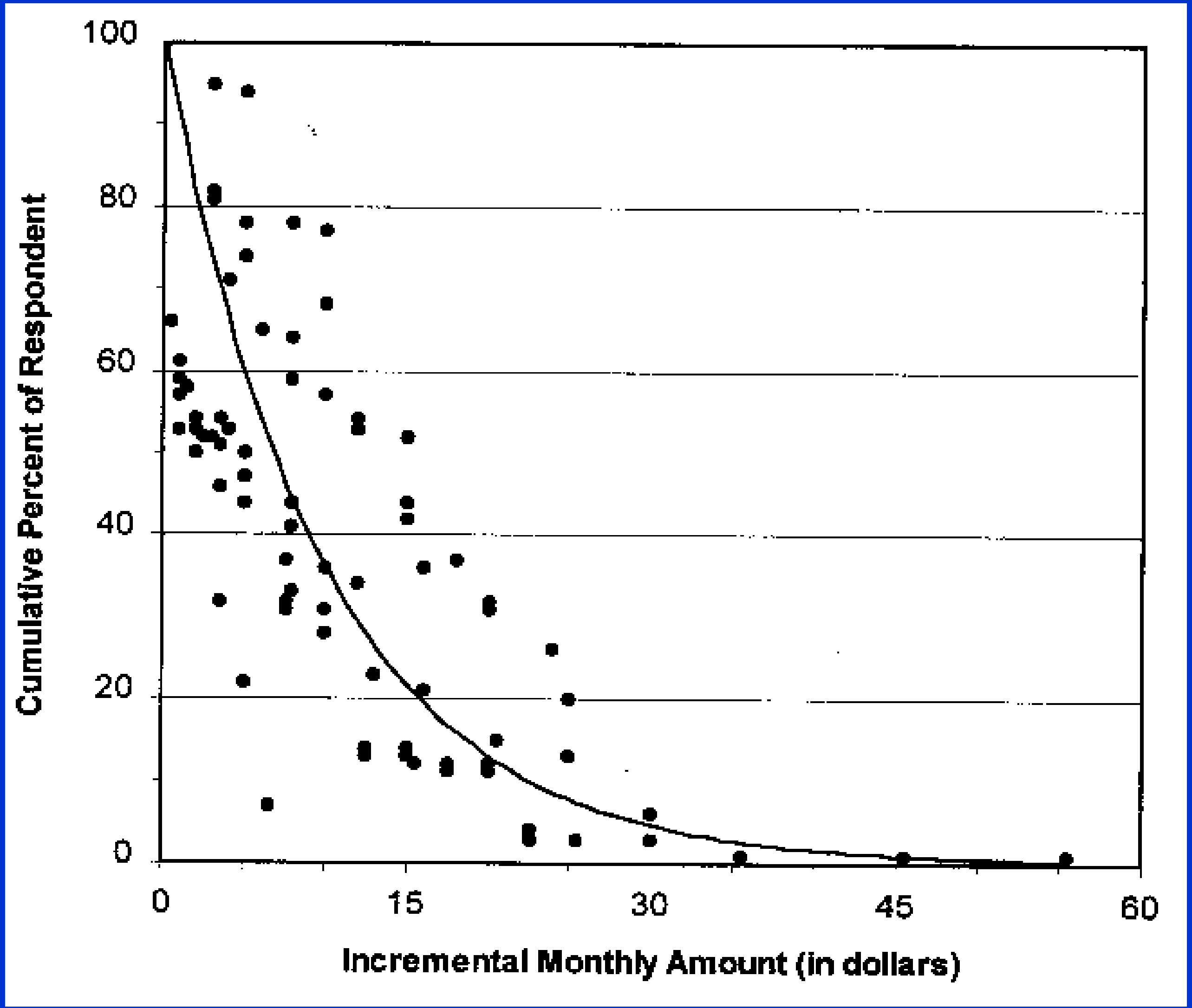
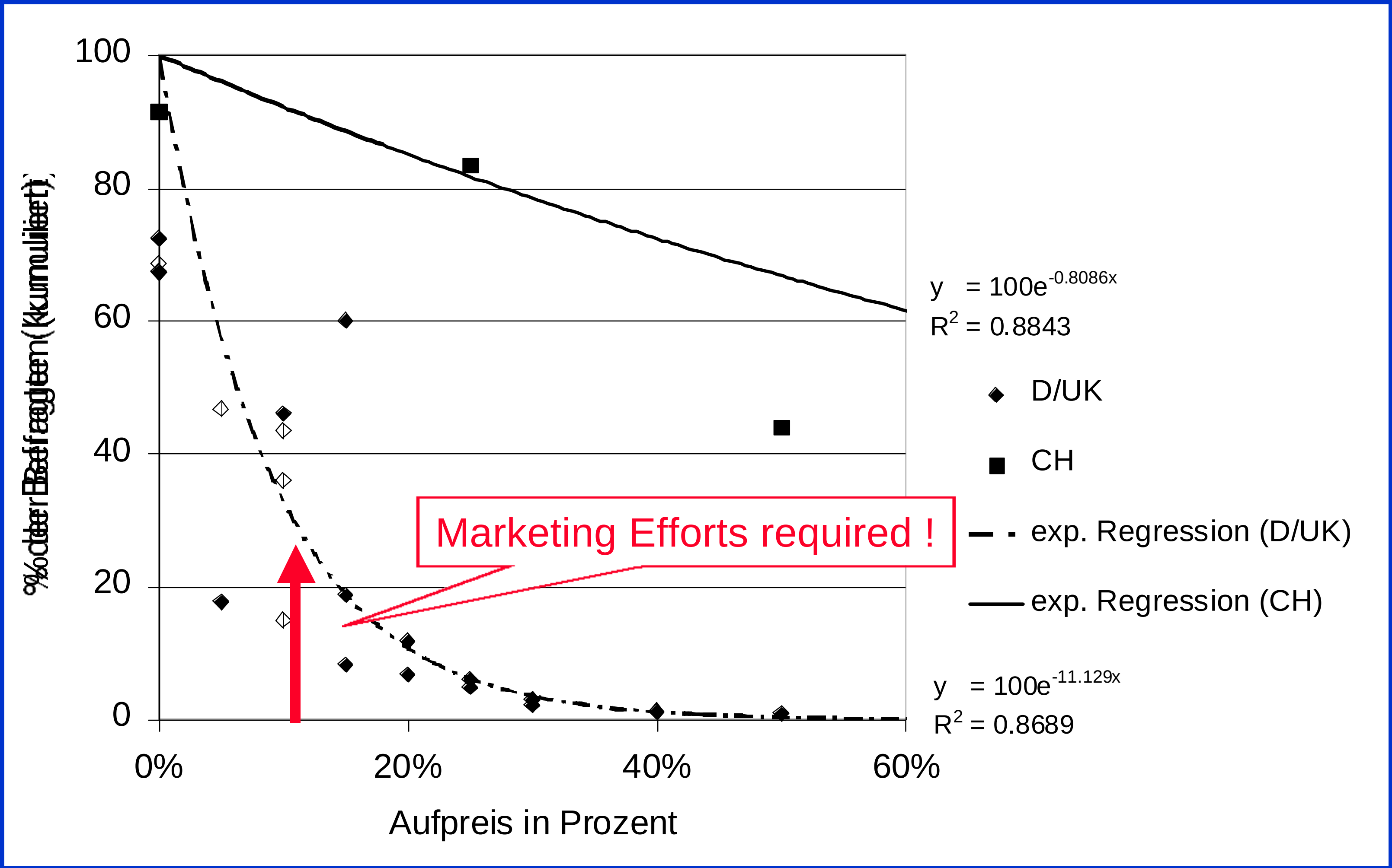
# US Customers are willing to pay more for renewables...






Source: Farhar 1999

...and so do their European Counterparts:
Willingness to pay for green electricity in Europe



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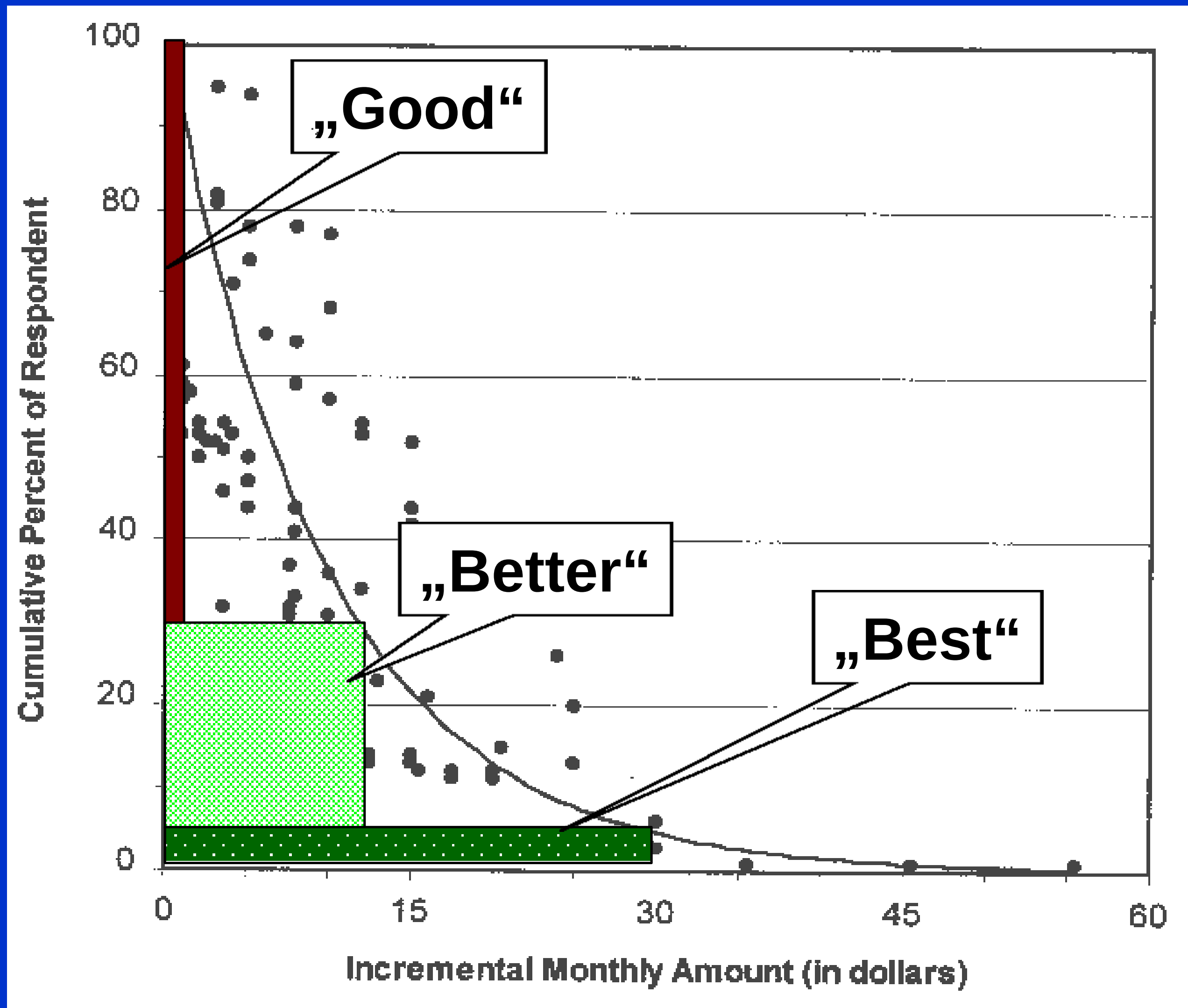
# ...different products reflect different willingness to pay:



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# Who are the green power customers? 1998 Green Gauge Report by Roper Starch Worldwide

- **True-Blue Greens 11 %**
- **Greenback Greens 5 %**
- **Sprouts 33 %**
- **Grousers 15 %**
- **Basic Browns 34 %**


Source: Roper Starch Worldwide 1998

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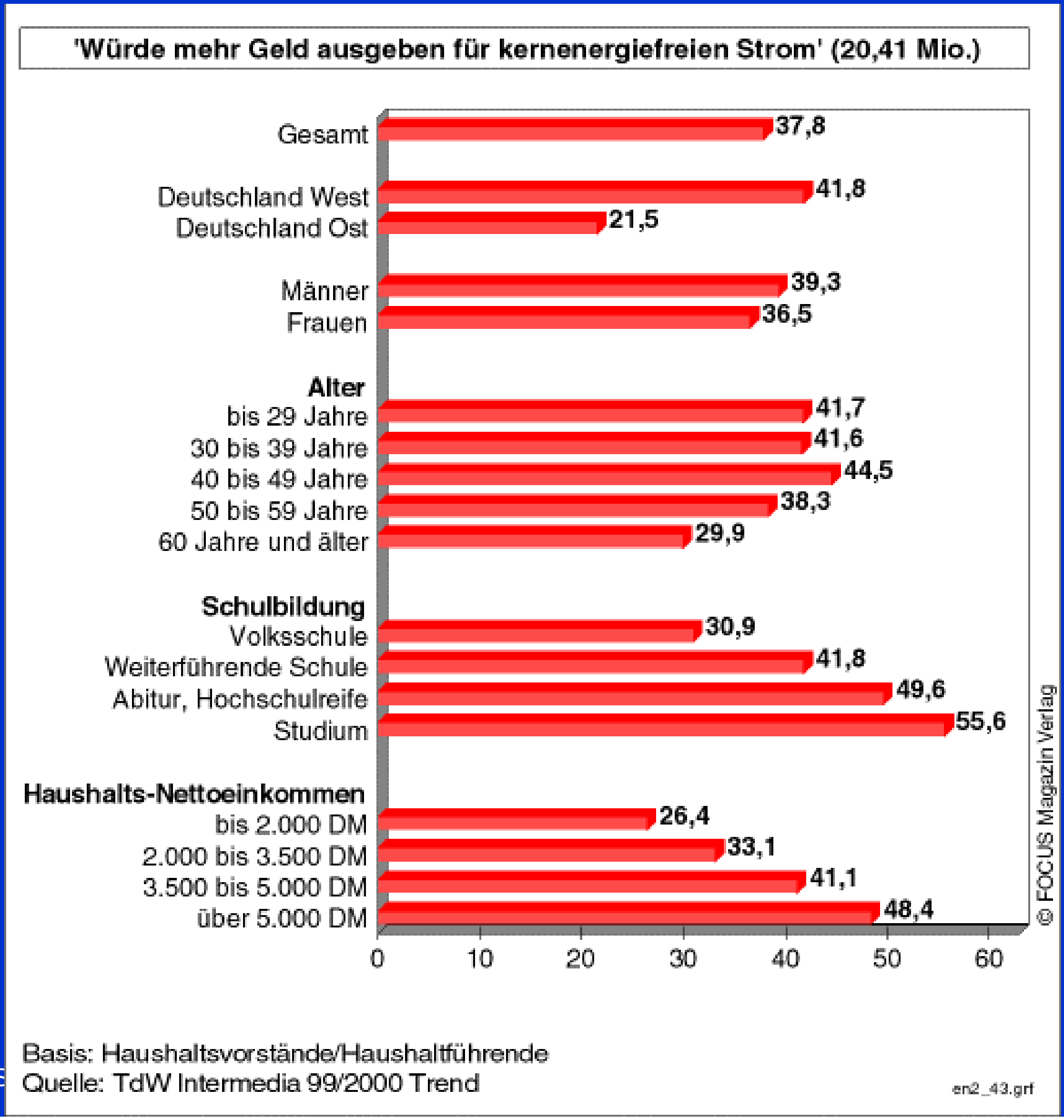
# Demographic Profile of Green Power Target Groups (Germany)



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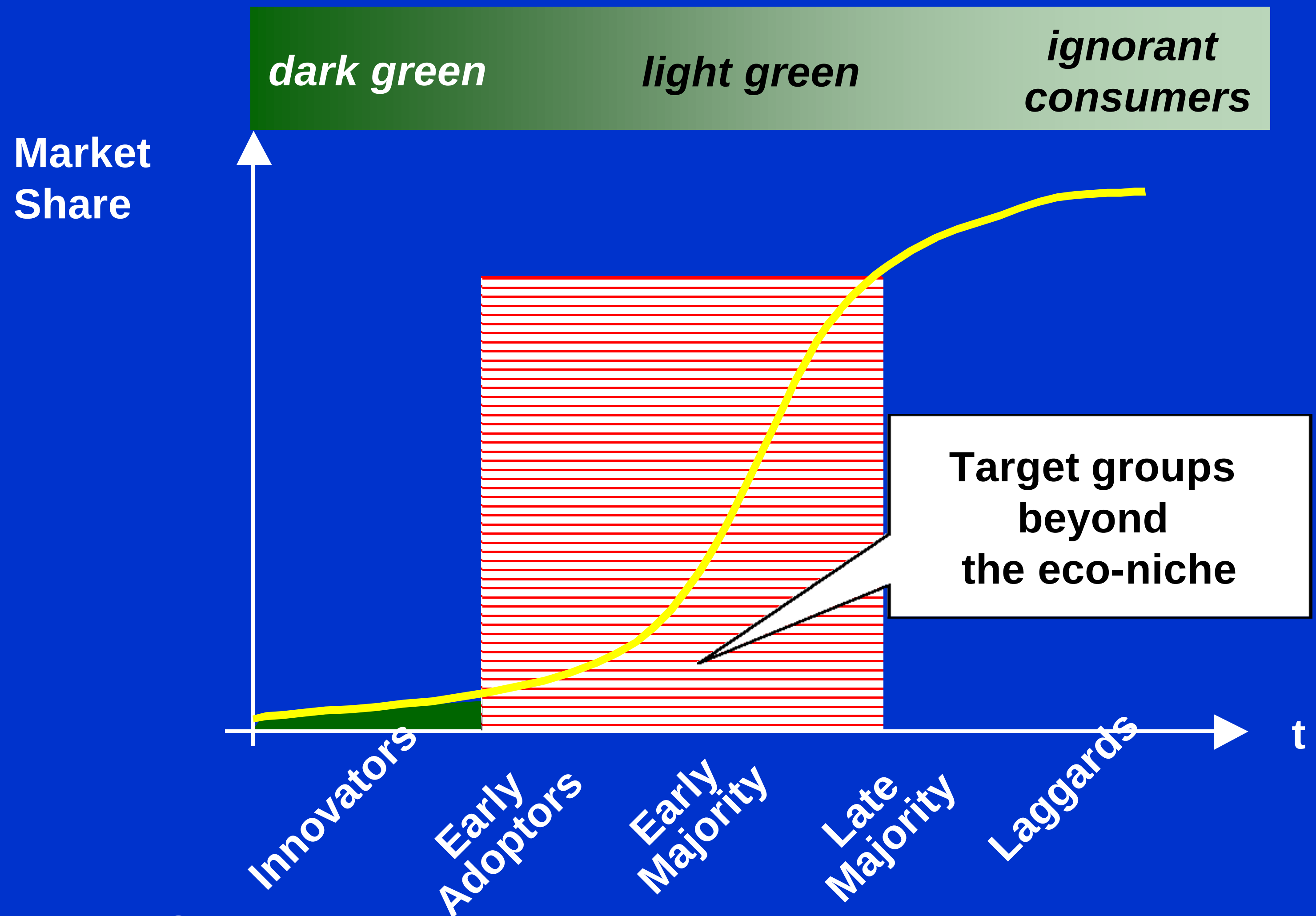
# From niches to mass markets: Diffusion of green power products

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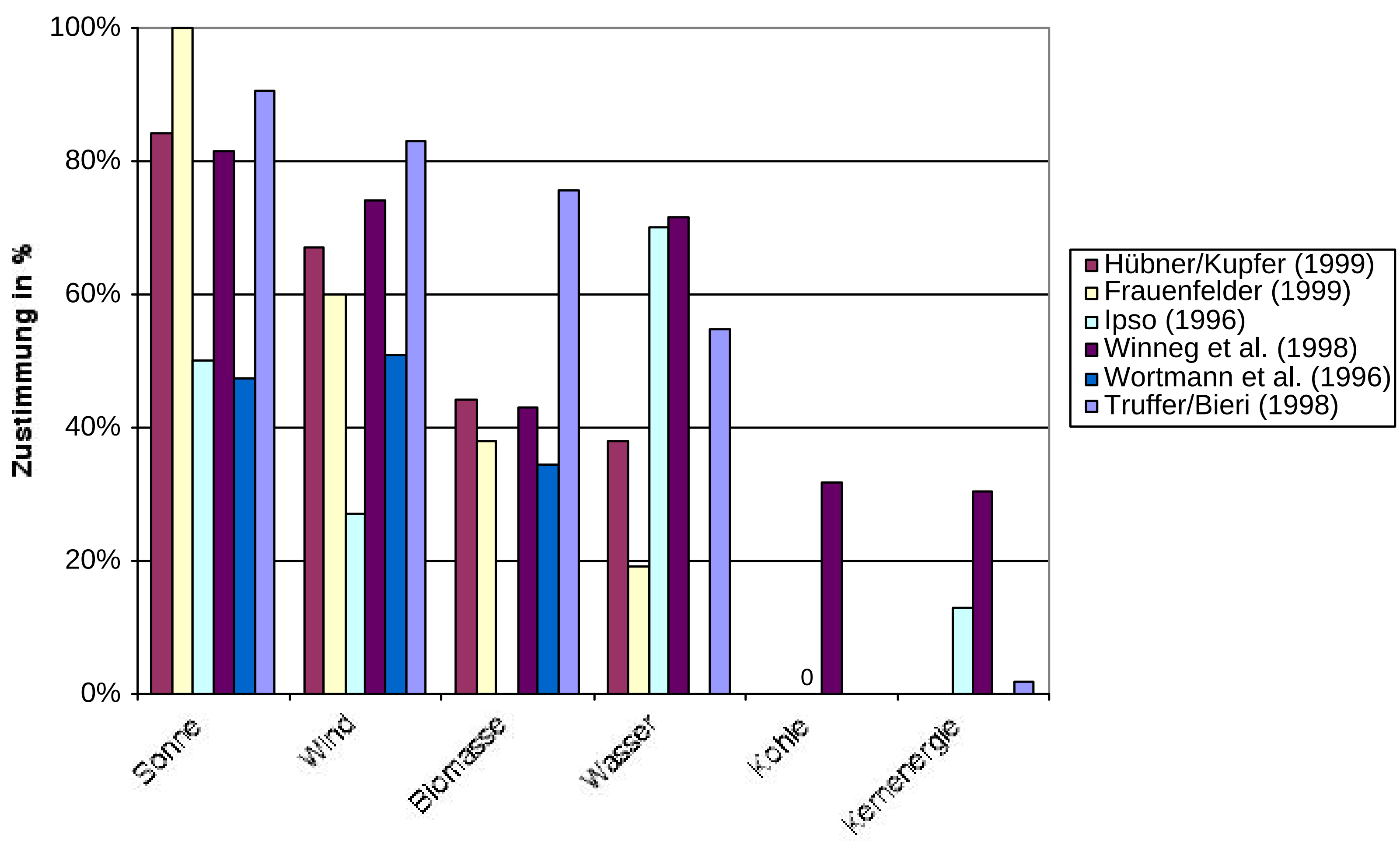
# Customers prefer solar and wind, hydro preferences are somewhat country specific



Business customers play an important role in growing the green power market, e.g.

- **Thames Water**

- **Lörrach Church District Kindergartens**
- **Green Party in several German Länder**
- **several small Eco Businesses in Germany**

- **Credit Suisse**
- **Swisscom**

- **...and many others...**

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# Conclusions: Customer Attitudes

- **A large majority of Europeans thinks positively about renewables**
- **A majority in most countries says they would be prepared to buy renewables, even at a premium**
- **However, the actual market share of green power products is typically below 1 %, with minor exceptions (e.g. the Netherlands)**

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# Green Power Marketing Strategies in Europe

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# Several Green Power Marketing Start-Ups have entered the German Market


NaturEnergie

naturstrom


LichtBlick Die Zukunft der Energie

GREENPEACE energy

# Existing Utilities have converted their Green Pricing Schemes to competitive Green Power Products

## 80+ Swiss utilities offer some sort of green power scheme

- **25‘000 residential customers**
- **4 Mio. kWh solar electricity sold**
- **participation rates up to 4.5 %**
- **actual market share < 1 %**
- **typical price premium (per kWh) 600-800 %**

**amazingly successful (given the price level), but strictly niche-oriented**

**move towards differentiated product range can be seen, e.g. EBM**

Solar-Strom | Rainbow-Mix | WKK-Strom

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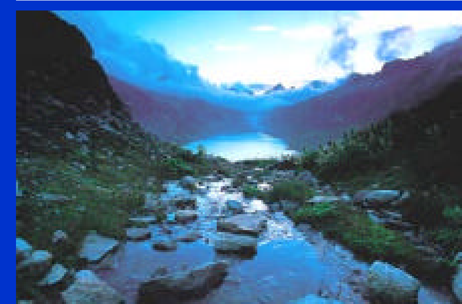
# Branding electricity + tourist destinations in Switzerland

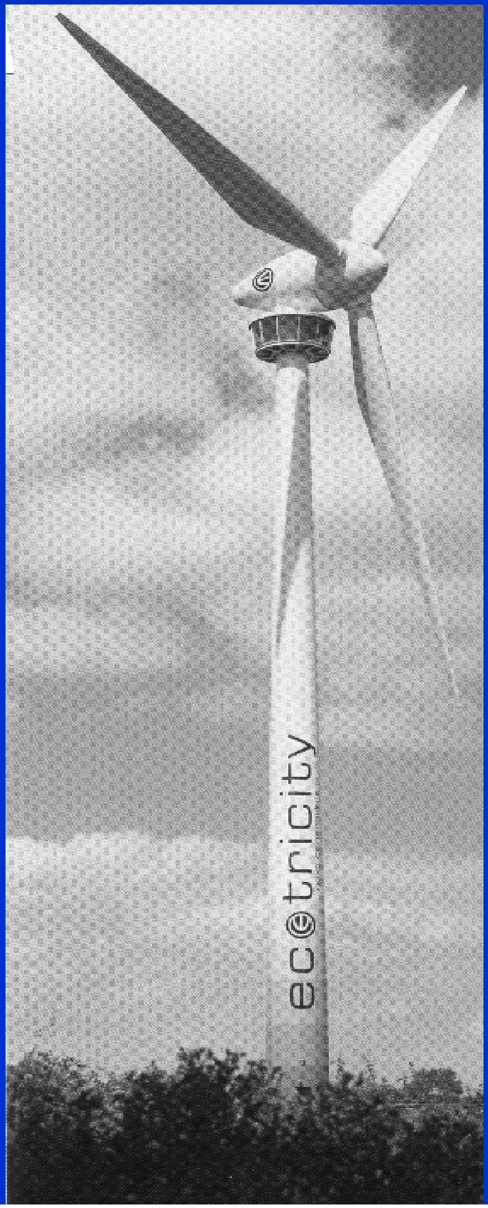
PURE GRAUBÜNDEN POWER

PURE St. Moritz® POWER

KWO GRIMSELSTROM



# Branding a wind turbine: Ecotricity - The Renewable Energy Company UK



# Market Facilitation Efforts

# Labelling & certification schemes have been established in many countries

**UK**

**Switzerland**

**Germany**

**Sweden**

# European Harmonization of Labelling Schemes

- cruicial for common EU electricity market
- difficult due to cultural differences (e.g. hydro), large variety of goals and criteria among national labelling organisations
- driven by non-governmental organizations (e.g. WWF) rather than EU officials

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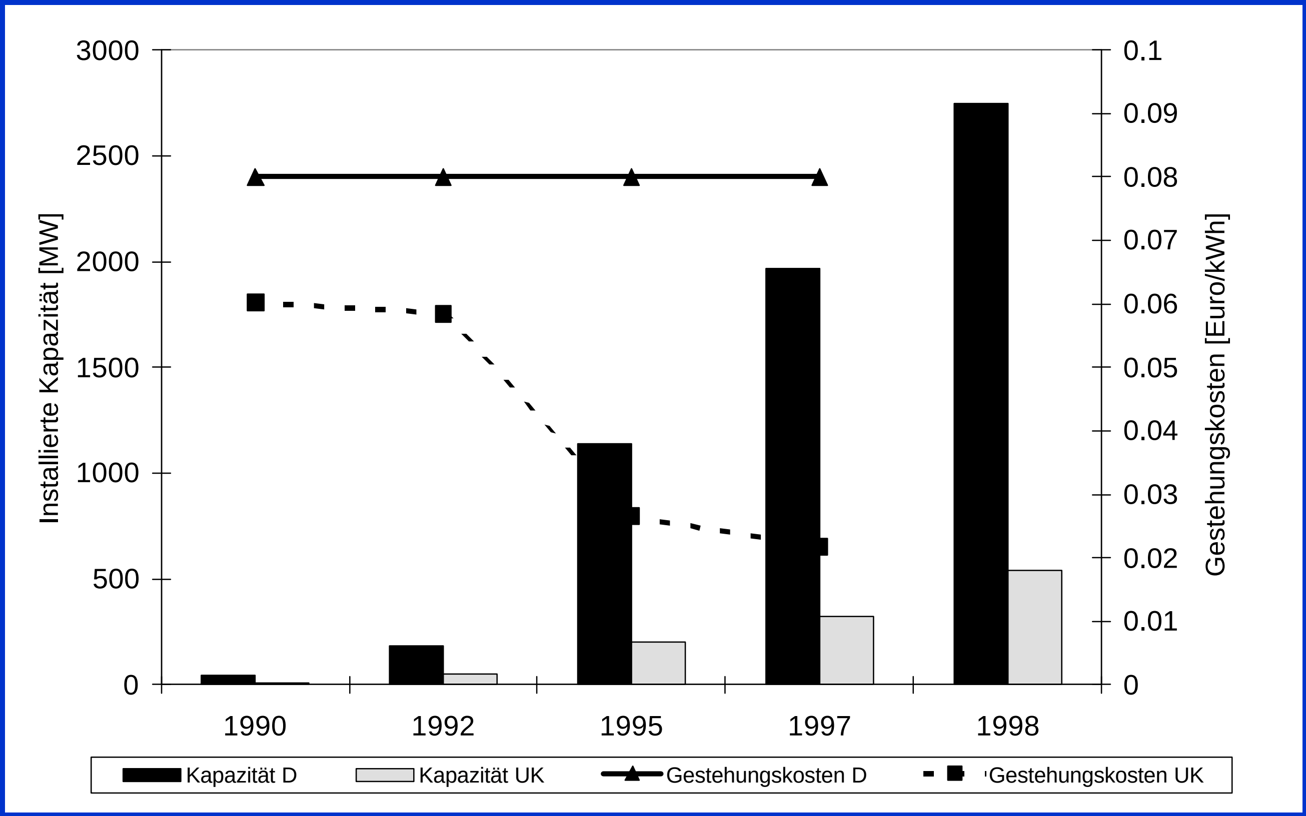
# Public Policy Support for Renewables

- **Ambitious targets by EU commission (doubling RES by 2010)**
- **further enhanced by Kyoto protocol and...**
- **...national policies (NFFO, EEG), but:**

**strong focus on generation**

**few informed policies to enhance the retail market**

# Market-based vs. Public-policy-based approaches to renewables promotion in Europe: Germany vs. UK




- **Fixed feed-in tariffs in Germany were highly effective, but not very efficient**
- **Competitive bidding scheme in UK drives cost down, but does not bring much capacity online**

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# Market - Policy Interface

- **UK tax exemption for renewables expected to create strong impetus for business customers to switch to green power**
- **Strong German government support seems to have negative impact on creating a viable retail market for green power**
- **Green Power Marketing stronger where public policy support for renewables is weaker?**

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# Conclusions

- **Many parallels between the US and main European markets**
- **Some significant differences among European countries...**
  - **extent of government support for renewables**
  - **pace of market liberalisation**
  - **customer willingness to pay**
  - **preferences for certain renewable technologies**
  - **# and degree of professionalization of green power marketers**
  - **competitive pressure from „brown“ providers**
- **...make pan-European approaches to both marketing & policy a challenge**
- **stronger policy support is probably good for renewables, but includes difficulties for green power marketers**

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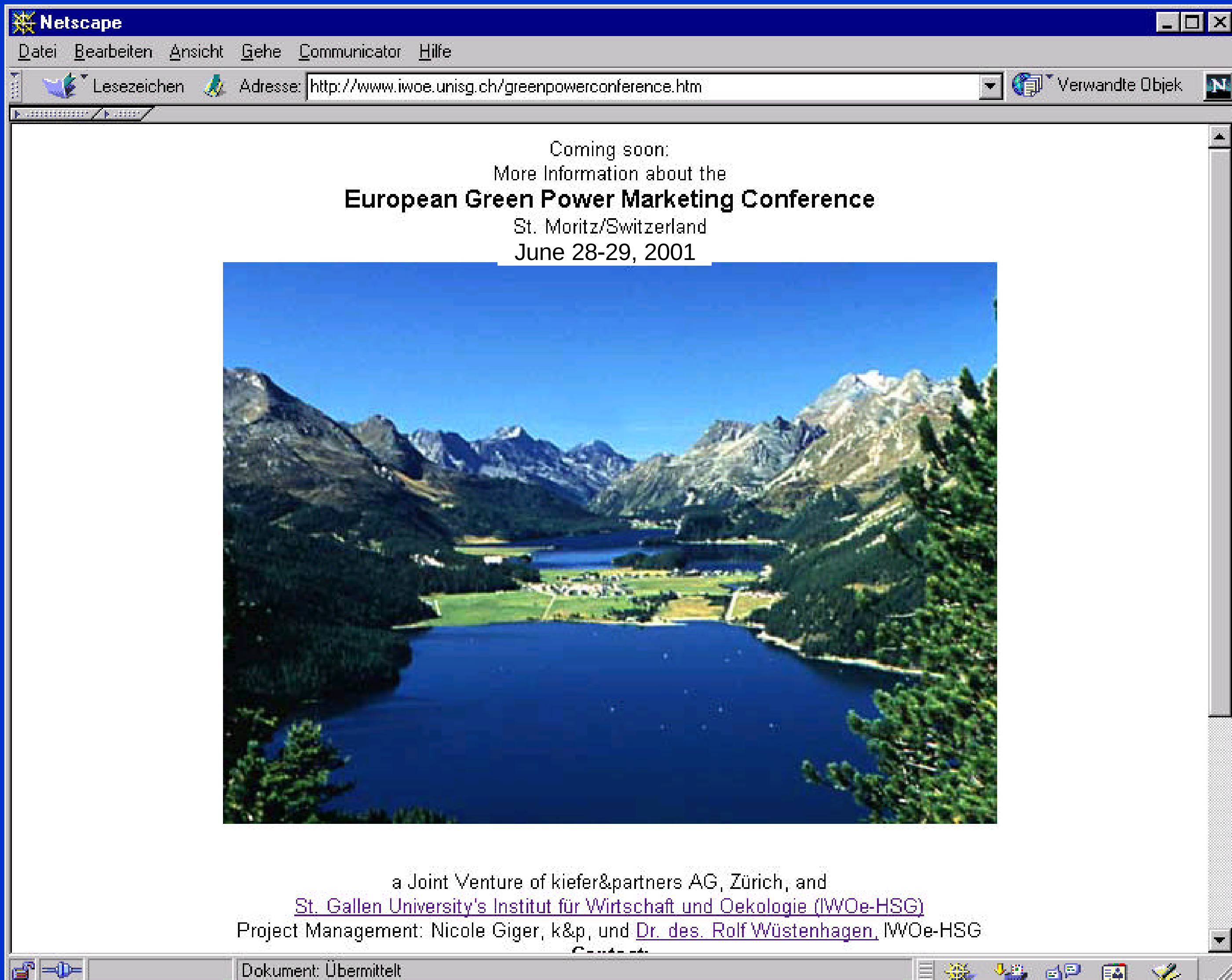
# See you there...




http://www.iwoe.unisg.ch/greenpowerconference.htm